

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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KRISTIN K. MAYES

G-02528A-05-0687

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. G-02528-05-\_\_\_\_  
DUNCAN RURAL SERVICES CORPORATION )  
FOR APPROVAL OF PURCHASED GAS ) APPLICATION FOR SURCHARGE  
ADJUSTOR SURCHARGE. )

Duncan Rural Services Corporation ("DRSC") hereby respectfully requests the Arizona Corporation Commission (the "Commission") to approve a new Purchase Gas Adjustor ("PGA") surcharge of \$0.60 per therm to be effective December 1, 2005. The new PGA surcharge is necessary in order to allow for the recovery of the PGA bank balance that exists and continues to grow.<sup>1</sup> In support hereof, DRSC Gas states as follows.

**I. THE DRSC GAS PGA.**

The DRSC PGA was authorized by the Commission to ameliorate the impact of volatile natural gas prices on both the customer and the utility. The DRSC Gas PGA was most recently reviewed and a surcharge approved in Decision No. 63369 (February 16, 2001). DRSC's current bas cost of purchased gas is \$0.36 per therm. Its PGA rate as of August 2005 was \$0.23130 per therm. DRSC's base cost of gas plus its PGA adjustor is equal to a total of \$0.5913 per therm.

On June 9, 2005, DRSC filed with the ACC a rate case Application to increase revenues by 22.70 percent primarily due to increases in the cost of natural gas (Docket No. G-02528A-05-0314). The ACC will not decide this case until March 2006, which is too late to recover the high

<sup>1</sup> The surcharge amount of \$0.60 is calculated as of September 23, 2005.

1 costs of the 2005-2006 winter heating season. DRSC has experienced negative margins in the  
2 past several years and cannot afford to absorb the increases in the gas prices, even for a short  
3 period of time. Without the requested PGA surcharge, the PGA under-collected bank balance  
4 will grow from approximately \$24,000 to \$192,000 by February 2006. DRSC submits that, given  
5 the current under collect PGA bank balance and unrelenting high gas prices, the proposed  
6 surcharge is necessary and should be approved now.  
7

## 8 **II. THE NEW PGA SURCHARGE**

### 9 **A. Surcharge Rate.**

10 The ongoing high cost of natural gas has resulted in an under-collected PGA bank  
11 balance for DRSC. In January 2005, natural gas prices were projected to be in the range of \$0.60  
12 to \$0.70 per therm. The current price for San Juan Basin gas from November 2005 through  
13 March 2006 is approximately \$1.20 per therm. As result of DRSC small size and higher gas  
14 prices, DRSC has not been able to hedge any of its projected gas sales during the same period.  
15 Consequently DRSC is facing a considerable shortfall in its recovery of the expected average cost  
16 of gas purchased during the high-use winter period.  
17

### 18 **B. Impact of Surcharge on Residential Bills.**

19 Residential customers of DRSC typically use an average 75 therms per month during the  
20 winter months (November through March) and 20 therms per month during summer months  
21 (April through October). Under the proposed PGA surcharge, a \$0.60 per therm surcharge will  
22 result in an average increase of \$45.00 to a monthly residential bill in the winter and \$12.00 in the  
23 summer.  
24  
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26

### III. CONCLUSION

DRSC believes that the PGA surcharge requested herein is necessary to recover gas costs in a timely and reasonable manner, before any additional accumulation of an under-collected PGA bank balance will require an even greater surcharge increase and is in the public interest.


DRSC requests that the determination of this matter be expedited and resolved at the Commission's November 8, 2005 Open Meeting, so that the requested surcharge may take effect December 1, 2005.

To the extent it is necessary to extend any time limitations to allow this matter to be heard at the November 8, 2005 Open Meeting, DRSC stipulates through the filing that those time limitations may be extended.

Wherefore, for all the foregoing reasons, DRSC requests authorization to phase in a new PGA surcharge of \$0.60 per therm for the 12-month period effective December 1, 2005 to allow for the recovery of the high natural gas prices and the resulting under-collected PGA bank balance.

RESPECTFULLY SUBMITTED this 30th day of September 2005.

By

  
Jack Shilling  
CEO, Duncan Valley Electric Cooperative, Inc.  
P.O. Box 440  
Duncan, AZ 85534-0440

1 Original and fifteen (15) copies of  
2 Duncan Rural Services Corporation Application  
3 filed this 30<sup>th</sup> day of September, 2005  
4 with:

5 DOCKET CONTROL  
6 Arizona Corporation Commission  
7 1200 West Washington Street  
8 Phoenix, Arizona 85007

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